

Your **Key** To Repayment



KHEAA

can put you behind
the wheel on the
road to repayment.

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Stay on Course With Your Student Loan



Don't lose your direction. Your student loan helps you get a college education or technical training, but it comes with responsibilities while you're still in school. Stay focused to make sure your future is bright.

Changing Direction



Don't think you only have to worry about your student loan after you graduate. If you transfer, drop credits or stay in school past your anticipated graduation date, **you** must notify your lender so your loan stays in good standing. Don't start your future heading in the wrong direction.

Notify your lender and current school in writing if you:

- ☐ Change your address or telephone number. Filing an address change with the post office is not enough.
- ☐ Change your name.
- ☐ Transfer to another school.

- ❑ Drop below half-time enrollment, withdraw or graduate.
- ❑ Change your anticipated graduation date.

Key Points



Contact your lender *in writing* when you change your name, address, enrollment status or school.

Always keep copies of all correspondence relating to your loans for future reference.

Let your lender know if you transfer schools or change the date you expect to graduate. Otherwise, you might face early repayment.

Make sure you understand and take advantage of your repayment, deferment, forbearance and consolidation options.

KHEAA is providing this booklet to help you understand your options and how to pursue them. Please read it carefully and then contact us at the address, telephone number or fax number on the back panel if you have questions or need help. You can also check us out at www.kheaa.com or www.itsmoneybaby.com.

Things to Know About Repayment



Unless otherwise advised by the school, lenders use the anticipated graduation date listed on your most recent loan application to put your loan into repayment. Schools periodically report student enrollment, but **you** have to notify your lender of any enrollment change. Don't wait for your lender to contact you. If you graduate, leave school or drop below half-time enrollment, call your lender to arrange a repayment schedule.

Under the standard, graduated or income-sensitive repayment options, you have up to 10 years to repay each Federal Stafford, SLS and PLUS Loan. Your minimum monthly payment will be set by the lender and will depend on how much you owe and the repayment plan you choose.

If you don't owe anything on student loans you took out before October 7, 1998, **and** you owe more than \$30,000 in student loans, you can get an extended repayment plan that lets you take up to 25 years to repay your loans.

If you have a Federal Consolidation Loan, you may be able to take up to 30 years to repay it, depending on how much you owe.

Remember:

- ❑ A loan must be repaid. It is not a grant. Signing the promissory note is a legal and binding promise to repay a loan. You have to repay your loan even if you aren't happy with the education you received, don't graduate or can't find a job.
- ❑ The grace period is the time between when you leave school or drop below half-time study and when you have to start repaying your loan. It's usually six months.
- ❑ You must keep track of when you have to start making payments. Your lender will provide a repayment schedule that lists repayment terms and conditions.
- ❑ Your loans can default if your lender can't contact you, so make sure you let your lender know if your address changes. Defaulting on your student loan can cause you serious problems. Avoid defaulting by keeping in touch with your lender.



Beginning Repayment



Repayment is your responsibility. You must:

- ❑ Contact your lender to arrange repayment.
- ❑ Know when your first payment is due.
- ❑ Explore alternative repayment options with your lender. You can change your repayment plan once a year.

Repayment Options

- ❑ **Standard Repayment** is the traditional option. You pay a set amount over the maximum repayment period. Payments are changed each year to reflect the change in interest rates. A \$50 minimum payment applies in most cases.
- ❑ Under **Graduated Repayment**, your payments change (usually increasing) over the repayment period. No installment can be more than three times greater than any other installment.
- ❑ **Income-Sensitive Repayment** is available if you provide the lender with information on your expected total

gross monthly income from all sources. This figure doesn't include income earned or received by your spouse unless you and your spouse have a joint Consolidation loan. You have to provide the income information each year so your lender can adjust your payments as needed.

- ❑ **Extended Repayment** is an option if you don't owe anything on student loans you took out before October 7, 1998, **and** you owe more than \$30,000 in student loans. Payments are fixed annual or graduated amounts, and you can take up to 25 years to repay your loans, depending on how much you owe.

Deferment

A deferment lets you stop making payments for awhile. If you have unsubsidized loans, you still have to pay the interest. For subsidized loans, the federal government pays the interest during deferment periods, just like it does while you're in school.



You have to request the deferment, either orally or in writing, and send the lender the documents that prove you're eligible. If you haven't yet defaulted, the lender has to give you the deferment if you qualify. There are different types of deferments. The most common types of deferments and circumstances under which you can apply are:

- ❑ **In-school or Student Deferment** if you're enrolled at least half-time at an eligible school.
- ❑ **Unemployment Deferment** if you are really trying to find a full-time job but can't. A full-time job is one where you can expect to work at least 30 hours a week for at least three months.
- ❑ **Graduate Fellowship Deferment** if you are in an eligible graduate fellowship program.
- ❑ **Rehabilitation Training Program Deferment** if you are in a rehabilitation training program.
- ❑ **Economic Hardship Deferment** if you make less than minimum wage or exceed a federally defined debt-to-income ratio.

The chart at the back of this booklet lists specific eligibility criteria and more deferment types.

Forbearance

If you can't make your payments, lenders may let you temporarily stop making payments as long as you intend to repay the loan. This is called a forbearance. During a forbearance, interest continues to build up on your loan. You may request forbearance to allow for:



- ☐ A short period of time during which you make no payments.
- ☐ An extension of time for making payments.
- ☐ A period during which you make smaller payments than were originally scheduled.

You should explain your circumstances to the lender or servicer, which will decide whether to grant you a forbearance. Forbearances are granted at the discretion of the lender.

If you're behind on your payments because you don't know how many loans you have, how much you owe or whom you should pay, get the status on all of your loans at **nslds.ed.gov** or **1.800.4FEDAID (1.800.433.3243)**.

Consolidating Student Loans

You can get a Federal Consolidation Loan or Federal Direct Consolidation Loan to merge several federal student loans into a single loan.



Consolidation loans are also available to married couples if each spouse is eligible.

Consolidation may make your student loan debt more manageable by reducing your monthly payment. Your total cost may increase, however, since consolidation generally lengthens your repayment period.

If you have loans with more than one lender, you may want to consider consolidation to simplify repayment. You can make one payment instead of separate payments to each lender.

You can consolidate these loans:

- ☐ Federal Family Education Loans (Subsidized and Unsubsidized Stafford, formerly Guaranteed Student Loans; PLUS; Supplemental Loans for Students [SLS], formerly Auxiliary Loans to Assist Students [ALAS]; and Consolidation).
- ☐ Federal Insured Student Loans (FISL).

- ❑ Federal Perkins Loans, formerly National Direct/Defense Student Loans.
- ❑ Health Education Assistance Loans (HEAL).*
- ❑ Health Professions Student Loans (HPSL).*
- ❑ Federal Nursing Student Loans.*
- ❑ Federal Direct Loans (Subsidized and unsubsidized Stafford, PLUS, and Consolidation).

The maximum interest rate on a Consolidation loan is 8.25 percent, unless you are consolidating a HEAL, and is a fixed rate. If you are consolidating a HEAL, the interest rate on that part of your Consolidation loan may be more than 8.25 percent.

For more information on Federal Consolidation Loans, contact your lender or KHEAA at the phone number or address on the back of this booklet. For information about Federal Direct Consolidation Loans, contact the U.S. Department of Education.



*Subject to lender's eligibility policy

Don't Panic . . . KHEAA Can Help!

Although most borrowers repay student loans on schedule, others can't because of debt, emergencies and other circumstances. Defaulting on your loan can have serious consequences, including:



- ☐ Denial of additional student aid.
- ☐ Damage to your credit rating, since all national credit bureaus are notified.
- ☐ Wage garnishment.
- ☐ Having your tax refunds and any other money due you from the state or federal government taken away.
- ☐ Collection charges of up to 25 percent added to what you owe. You get to pay interest on the collection charges too.
- ☐ Possible legal action.
- ☐ If your job requires a license, it may not be renewed.

Avoid the consequences of a defaulted loan by taking advantage of the opportunities presented in this booklet.

Be sure to contact your lender whenever you have a problem or question.

Deferment Eligibility Chart for the Federal Family Education Loan Program (FFELP)

Form Type	Deferment Type	Time Limit	Stafford and SLS Loans			PLUS Loans			Consolidation Loans	
			Pre 7/1/87 Borrower	New ¹ Borrower 7/1/87 to 6/30/93	New ² Borrower 7/1/93	Pre 7/1/87 Borrower	New ¹ Borrower 7/1/87 to 6/30/93	New ² Borrower 7/1/93	Borrower Consolidates Before 7/1/93	New ² Borrower 7/1/93
SCH or NEW EDU	In-school: Full-time	None	•	•	•	• ³	• ³	• ⁴	•	•
	In-school: Half-time	None		•	•		• ³	• ⁴	•	•
EDU or NEW EDU	Graduate Fellowship	None	•	•	•	• ⁴	• ⁴	• ⁴	•	•
	Rehabilitation Training	None	•	•	•	• ³	• ³	• ⁴	•	•
PUB	Military or Public Health Services ⁵	3 Years	•	•						
	National Oceanic and Atmospheric Administration Corps ⁵	3 Years		•						
	Peace Corps, ACTION Programs, and Tax-exempt Organization Volunteer	3 Years	•	•						
EDU	Teacher Shortage	3 Years		•						
	Internship/Residency Training	2 Years	•	•						
DIS	Temporary Total Disability ⁶	3 Years	•	•		•	•		•	
UNEM	Unemployment	2 Years	•	•		•	•		•	
	Unemployment	3 Years			•			•		•
FAM	Parental Leave ⁷	6 Months	•	•						
	Mother Entering/ Reentering Work Force	1 Year		•						
NEW HRD	Economic Hardship	3 Years			•			•		•

¹ New Borrower 7/1/87 to 6/30/93: A borrower who, on the date the borrower signed the promissory note, has no outstanding balance on (1) a Federal Stafford, SLS, or PLUS Loan first disbursed before 7/1/87 for a period of enrollment beginning before 7/1/87 or (2) a Federal Consolidation Loan that repaid a loan first disbursed before 7/1/87.

² New Borrower 7/1/93: A borrower who received a FFELP Loan with a first disbursement on or after 7/1/93. The borrower has no outstanding principal or interest balance on a FFELP Loan as of 7/1/93 or on the date the borrower obtains a loan on or after 7/1/93. This includes a borrower who obtains a Federal Consolidation Loan on or after 7/1/93, if the borrower has no other outstanding FFELP Loan when the Federal Consolidation Loan was made.

³ Periods during which the parent borrower meets the deferment eligibility requirements or a dependent student for whom the parent obtained a Federal PLUS Loan meets the deferment eligibility requirements.

⁴ Periods during which the parent borrower meets the deferment eligibility requirements.

⁵ Borrowers are eligible for a combined maximum of three years of deferment for service in NOAA, PHS, and Armed Forces.

⁶ A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

⁷ A parental leave deferment may be granted to a borrower in periods of no more than six months each time the borrower qualifies.

KHEAA Can Help!

KHEAA is committed to helping students avoid defaulting on their student loans. If you're unable to resolve a delinquency problem and would like to speak to one of **KHEAA's borrower advocates**, call **one of the numbers listed below**.

In Kentucky:
1-800-928-5327

In Alabama:
1-800-721-9720

Nationwide:
1-800-928-5327

KHEAA
P.O. Box 798
Frankfort, Kentucky 40602-0798
Toll-free: 1-800-928-8926
Fax: (502) 696-7305
www.kheaa.com

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